

1 IN THE UNITED STATES DISTRICT COURT  
2 FOR THE EASTERN DISTRICT OF PENNSYLVANIA

3 NATIONAL HEALTHCARE : CIVIL ACTION  
4 SERVICES, INC., :  
5 Plaintiff, : **COPY**

6 -vs- :

7 PENN TREATY AMERICAN :  
8 CORPORATION, et al., : NO. 02-CV-3600  
9 Defendants. : (MM)  
10 \* \* \*

11 Tuesday, October 14, 2003  
12 \* \* \*

13 Realtime videotape  
14 deposition of NEAL A. FORMAN, in his  
15 individual capacity, and Rule 30 (b)(6)  
16 realtime videotape deposition of NATIONAL  
17 HEALTHCARE SERVICES, INC., taken through  
18 its representative NEAL A. FORMAN, held  
19 in the law offices of BALLARD, SPAHR,  
20 ANDREWS & INGERSOLL, LLP, 1735 Market  
21 Street, 42nd Floor, Philadelphia,  
22 Pennsylvania 19103, on Tuesday, October  
23 14, 2003, beginning at 9:33 a.m., before  
24 Kimberly A. Cahill, a Registered  
Professional Reporter and Approved  
Reporter of the United States District  
Court.

\* \* \*

20 ESQUIRE DEPOSITION SERVICES  
21 15th Floor  
22 1880 John F. Kennedy Boulevard  
23 Philadelphia, PA 19103  
24 (215) 988-9191

PLAINTIFF'S  
EXHIBIT

E=

NEAL A. FORMAN

1 effective, is it not true then that Mr. 31  
2 Callahan actually has a 50 percent  
3 ownership interest in National Healthcare  
4 Services?

5 A. After Herb Schwartz resigned  
6 and turned his stock back into the  
7 corporation, then it would grant Michael  
8 50 percent and I would end at 50 percent.

9 Q. Okay.

10 And I don't see any mention  
11 here of voting or nonvoting or any -- any  
12 other restriction here.

13 Is it your understanding  
14 that Mr. Callahan currently -- currently  
15 own -- owns 50 percent of the voting  
16 stock at this point?

17 MR. LYONS: Objection to the  
18 form and objection to counsel's  
19 characterization of the document.

20 THE WITNESS: In an answer  
21 to this, I believe this was after  
22 the termination; that Herb decided  
23 that he did not want any position  
24 in the company and he wanted to be

NEAL A. FORMAN

1 relieved of any responsibility, so 32  
2 he is -- to my knowledge, Michael  
3 Callahan has never had any say in  
4 the running of this company, ever.

5 BY MR. YOHAI:

6 Q. I think you're answering a  
7 different question.

8 A. Okay.

9 Q. My question --

10 A. Okay.

11 MR. LYONS: Objection.

12 BY MR. YOHAI:

13 Q. If you can concentrate on my  
14 question, my question was, is it your  
15 understanding that Mr. Callahan currently  
16 has 50 percent interest, a voting  
17 interest or a nonvoting interest in  
18 National Healthcare Services?

19 A. To my knowledge, to this  
20 day, as of this hour, I believe he still  
21 has a nonvoting interest --

22 Q. A nonvoting --

23 A. -- because I'm not -- if  
24 this was executed, then I would say

1 Q. No, not the car?

2 A. No.

3 Q. Any of your family's  
4 expenses that you paid with the money?

5 A. I just don't remember.

6 Q. Okay.

7 Now, you say that -- that  
8 because of the delay, that that's why you  
9 -- you were using this money, that that's  
10 why you needed to use this money to draw,  
11 because of Penn Treaty's delays, that's  
12 why it was appropriate to --

13 A. That was part of it. Had we  
14 executed this program -- had Penn Treaty  
15 fulfilled their commitment of promises to  
16 deliver the program to the people who got  
17 turned down --

18 Q. Right.

19 A. -- we would have had enough  
20 income coming in that we would never had  
21 to use any money.

22 Q. So you believe that it was  
23 the result of the delay, that's why you  
24 had to use some of this money to pay your

1 focus on what Mr. Levit said to the  
2 extent you remember.

3 What do you remember Mr.  
4 Levit saying -- saying during that  
5 meeting?

6 A. Well, he was very  
7 enthusiastic. He was very excited about  
8 the opportunity. He could see a huge  
9 market potential for the product, and he  
10 says, let's just get going. Let's go put  
11 it together.

12 Q. Do you remember him saying  
13 anything else at that meeting about this  
14 product or anything else?

15 A. No.

16 Q. Okay.

17 After that in-person  
18 meeting, what was your next either  
19 on-the-phone or in-person meeting with  
20 Mr. Levit?

21 A. Well, I think at that point  
22 after we got back home, we started  
23 preparing an outline of the way the  
24 program would look and the type of